

## Why Nations Fail

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**Abstract:** In Daron Acemoglu and James Robinson's influential book "Why Nations Fail," it is argued that the key determinant of a nation's prosperity is the type of political and economic institutions it adopts. Through analysis of diverse historical and geographical case studies, the authors posit that inclusive institutions, characterized by broad property rights, political participation, and rule of law, foster sustained economic growth and development. Conversely, extractive institutions, dominated by exploitative elites, lead to poverty and stagnation. While acknowledging the book's significant contribution to development discourse and its emphasis on the centrality of institutions, the review also offers a critical evaluation, highlighting potential issues with its neo-liberal leanings and oversimplification of complex historical realities. Ultimately, "Why Nations Fail" prompts valuable exploration of the intricate interplay between institutions, historical legacies, and cultural factors in shaping a nation's trajectory.

**Key points:** institutions, development, poverty, prosperity, Acemoglu, Robinson, Why Nations Fail.

### INTRODUCTION

“What enables countries for economic and social success?”. This has been a highly controversial issue over the years, especially, the quest for finding answer for this question has increased in the 18<sup>th</sup> century, pioneered by Adam Smith. As there has never been a perfect answer for this, the striving still continues. As the Winston Churchill very correctly stated “Democracy is the worst form of government except for all the others”. While the book “Why nations fail” by Daron Acemoglu and James Robinson has not clearly found out the answer for this, they still attempted to understand why some states are prosperous while the others are failing. The book is based on years of research on searching for the common grounds for success, and what triggers the nation to fall behind from others. For years, the prosperity was linked to the unique features of the country such as geography, culture, economic fate, land and so forth. However, Acemoglu and Robinson definitely laid a foundation for the idea power of economic and political institutions on the state development is the sole key factor. Thanks to these pioneer proponents of this theory, nowadays, readers can see and think beyond the cultural, geographical aspects. Fukuyama, the author of the famous books *The End of History and the Last Man* and *The Origins of Political Order* comments on the present book stating that it reveals why it is not geography, disease, or culture that explain why some nations are rich and some poor, but rather a matter of institutions and politics. *From the absolutism of the Stuarts to the antebellum South, from Sierra Leone to Colombia, this magisterial work shows how powerful elites rig the rules to benefit themselves at the expense of the many. Charting a careful course between the pessimists and optimists, the authors demonstrate history and geography need not be destiny. But they also document how sensible economic ideas and policies often achieve little in the absence of fundamental political change.* The book analyzes the circumstances and changes based on in-depth historical time lining and its main thesis is nations must develop inclusive economic and political institutions if they are to achieve prosperity. In the

following paragraphs of the essay, main ideas of the book are explored and certain arguments are proposed:

1. the importance of centralized political structure on economic success
2. the importance of “reward” rather than “force”
3. neo-liberalistic approach in writing the book
4. views on the chapter about Uzbekistan

## **METHODOLOGY**

"Why Nations Fail" draws upon historical evidence, case studies, and economic theory to support its claims. The authors analyze nations across diverse geographical and temporal contexts, including England, Sierra Leone, China, and the United States. They employ comparative analysis to highlight the contrasting outcomes associated with inclusive and extractive institutions.

## **RESULTS**

The book's central thesis is that inclusive political and economic institutions, characterized by broad property rights, political participation, and rule of law, are essential for sustained economic growth and development. Conversely, extractive institutions, dominated by elites who exploit resources and restrict economic and political opportunity, lead to poverty and stagnation.

## **ARGUMENTS**

First of all, the book successfully emphasized the importance of inclusive political regime where the main political and economic rights of the citizens are granted. The accountability and the responsibility of the government towards its citizens, the laws that do not only work for elite, but for everyone are regarded as the main features of central political structure. The striking opinion stemming from book is that it is not the economic institutions that lead to economic success, but it is the unity of political and economic structures based on inclusivity leads to prosperity. One can conclude that inclusive political institutions create and rule the inclusive economic institutions. The authors, therefore, stressed that political institutions play the key role and they determine the in economy to be inclusive or extractive. Through the way politics are regulated, the economic wealth of the country can be decided. The assumption of most economists is that rulers in poor economies are well-meaning but lack sufficient knowledge about what to do to improve their nation's performance. In contrast, analysis of extractive political and economic institutions illustrates clearly how those who hold power can actively prevent beneficial changes because they interfere with their own vested interests. Their historically informed approach also highlights the need to think differently about concepts such as the dual-economy.

It is firmly claimed that how revolutions such as English Civil War, Glorious Revolution, the Great French Revolution set the stage for the growth of inclusive political and economic institutions. "Critical juncture" is their most jargonistic term, meaning a moment in history when things change and could go in several, different ways. Especially, most historians recall the French Revolution as being bloody with lots of destructions, devastated lives and so forth. However, in the end, France and England were the countries which spread the democratic regime and inclusive economic institutions. The rights claimed by revolutionists in France from the Monarchy itself are very outstanding. Most of these rights were political which showcases that how public role is important in governing.

Second most important idea raised by the book is the importance of incentivizing to boost the economy. This was highlighted in the very first chapters of the book, where the promotion and strong protection of property rights can lead to progress in economy and daily lives of citizens. Thomas Edison, being the bright example of this phenomenon, sets the world record for having the highest number of patents. Only in the US itself, Edison possesses 1093 patents for his different innovations. Therefore, ensuring best protection for the people's rights, namely civil and political, countries' development to a certain extent can be guaranteed.

Their book devolves into the something similar to most of the neo-liberal thinking of which we see so much from the “science” of economics. They rail against the monopolies and resistance to enclosure by the Tudor and Stuart kings in England. This is a typical response of the neo-liberal. The problem is not market economies, they say, but those that interfere with the “free” motion of these economies in society. They attribute the rise of the Industrial Revolution in England to an overcoming of the absolutism of the Tudors and Stuarts by the rise of “inclusive institutions” embodied in the Glorious Revolution by the rise of Parliament. But the destruction part of the rise of the entrepreneurial class gets little appreciation. For that we have to read Polanyi and Marx. And they are oblivious to the fact that without Tudor protectionism, the wool-spinning industry in England may never have gotten of the ground.

To put briefly, historical backgrounds of different countries are examined and conclusions on *why they are what they are today* are drawn in the book (USA, Mexico, and Guatemala to Russia, China, Ethiopia, Somalia, Botswana and Sierra Leone, not forgetting Australia, South and North Korea, France, England and so forth).

## CONCLUSION.

The formula is stark: Inclusive governments and institutions mean prosperity, growth and sustained development while extractive governments and institutions mean poverty, privation and stagnation — even over the centuries. *When you combine rotten regimes, exploitative elites and self-serving institutions with frail, decentralized states, you have something close to a prescription for poverty, conflict and even outright failure.* The delineation between inclusive and extractive institutions, along with the influence of political frameworks in shaping the landscape for economic endeavors, presents significant implications for the formulation of pragmatic economic development policies.

Despite some features of the book, its impact and influence is huge. The way it rejuvenated the minds with new ideas is very impressive and should be well recognized and valued by next generations too.

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### Article

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